# Introduction

The technological advances over the past few decades have introduced new, more efficient, and effective opportunities of interactions between customers and restaurants. On Online review platforms, such as Yelp, TripAdvisor and Google, restaurant visitors can post and share their experiences and opinions in form of online reviews – known as electronic-word-of-mouth (eWOM) – about the meals and services they have purchased or consumed. With a simple mouse click, one can produce information about a restaurant – ranging from food quality and variety to service, hygiene, and atmosphere – or acquire them from a myriad of other diners.

The vast amount of information provided by the online review platforms have enabled customers to learn from each other’s experiences and have helped them to make better decisions on visiting a particular restaurant. Restaurateurs, on the other hand, can utilise eWOM to improve customer needs and maximize their revenues. Hence, it is important to understand how these platforms affect the economy in the restaurant sector. **(Quelle: The Effects of Online Review Platforms on Restaurant Revenue)**

Extant studies conducted on food service, adopting online reviews and sale performances data, have found, that the number of online reviews and overall rating can increase the popularity of a restaurant, resulting in having a positive effect on restaurant revenue – especially of restaurants with an excellence certificate. **(Source: A data-driven approach to measure restaurant performance by combining, The impact of social media reviews on restaurant performance)**

A Harvard business study by Michael Luca (2016) supports these findings. Luca explored the influence of online review platform Yelp on the restaurant data from the Washington State Department of Revenue. The study arrived at the following conclusions: First, a one-star increase in customer rating on Yelp leads to an increase of 5-9 % in revenue. Second, the ratings have a greater impact on restaurant revenues than the reviews, on the basis that consumers do not use all information available to them, since many restaurants on Yelp receive hundreds of reviews, making it time-consuming to read them all. Third, a greater number of restaurant reviews translates into a greater causal impact on that restaurant’s revenues. **(Source: Reviews, Reputation, and Revenue, Source: FROM RATINGS TO REVENUES)**

Another study by Limin Fang concluded that doubling consumers’ exposure to Yelp increases the revenue of a high-quality new independent restaurant by 8-20 % and decreases that of a low-quality one by a similar amount. Other platforms have shown similar effects but in smaller magnitude. In contrast, online review platforms do not aﬀect the revenues of chains and old independent restaurants. **(Source: The Effects of Online Review Platforms on Restaurant Revenue)**

Studies not related to the gastronomy sector also verified a positive correlation between eWOM and firm performances. Xie et al. (2014) found that customer ratings are positively associated with revenues of hotels listed on TripAdvisor. Torres et al. (2015) observed that the number of online reviews has a positive effect on hotel booking on TripAdvisor. **(The signaling and reputational effects of customer ratings on hotel, A data-driven approach to measure restaurant performance by combining)** The paper written by a Finnish research group also highlights the effects of eWOM on the sales of mobile applications in Google Play. The results show that higher values of overall rating correlate statistically with higher sales, and the number of ratings correlates positively with sales in the long term but negatively in the short term. **(Source: Busting Myths of Electronic Word of Mouth)**

## Goal and scope of the thesis

The primary goal of the thesis is to investigate, whether there is any statistical relationship between the online review data and the revenue data for a selected set of restaurants in Switzerland, provided by the industry partner [Prognolite](https://prognolite.com), a firm, which helps restaurants, bakeries, and businesses in the food sector to optimize their processes and resource management based on their past data e.g., revenue, weather, events, and holidays. The review data are obtained from TripAdvisor and Google, because these two platforms have become one of the dominant sources of consumer reviews **(Quelle: The Eﬀects of Online Review Platforms on Restaurant Revenue, Survival Rate, Consumer Learning and Welfare)** The secondary aim is to examine the correlation between the ratings across platforms where revenue data exists. The review data consists of customer ratings and reviews: a customer rating refers to the numerical star value given by a customer to express their satisfaction, while the costumer review is a verbally written message by a customer. The focus is on the customer rating. The verbal dimension is not within the scope of the thesis.

Based on the objectives and the reviewed literature, three research questions are formulated:

1. Is there a correlation between Google restaurant review data and Prognolite restaurant revenue data?

Based on the finding from the literature research, we believe, there is a positive correlation between the Google restaurant review data and the Prognolite restaurant revenue data. We expect that higher overall ratings will result in attracting both regular and new costumers which in turn promotes the increases in turnover of those restaurants.

1. Does a correlation exist between TripAdvisor restaurant review data and Prognolite restaurant revenue data?

We assume that TripAdvisor – like Google – has a similar impact on revenues, but in smaller magnitude, since TripAdvisor is not widely used by the majority of the population.

1. Is there any statistical relationship between Google and TripAdvisor restaurant review data?

Although restaurants are rated differently across platforms, the correlation results between Google and TripAdvisor presented by Limin Fang amounts to 0.59, which indicates that the two platforms are different. TripAdvisor targets primarily travellers or tourists whose rating standards for restaurants may systematically differ from those for Google, which is widely used by locals and tourists. **(Source: The Effects of Online Review Platforms on Restaurant Revenue)** On the basis of the study undertaken by Fang, we hypothesize that there is a weak correlation between Google and TripAdvisor restaurant review data, i.e., customer satisfaction.

On the basis of the above-mentioned objectives, research questions, and hypotheses, which have been formulated and discussed with Prognolite, the scope can be divided into three main parts:

1. Data acquisition:
   * The Google and TripAdvisor review data needed for the data analysis shall be fetched from an API, if possible. Otherwise, a scrapping tool shall be developed for the review data extraction.
2. Data processing:
   * In order to perform data analysis, the gathered review dataset and the Prognolite restaurant revenue data have to be processed and organised – a clean implementation which facilitates this process needs to be thought through.
3. Data analysis:
   * By applying statistical or machine learning methods, the correlation between the datasets ought to be investigated.

The outline of the subsequent chapters is as follows: **Chapter 2** provides the theoretical background in statistics needed to interpret the data analysis performed in the latter chapters. In the following **chapter 3**, the methodology is described. This chapter contains the technical approach how the data was acquired and processed. **Chapter 4** describes the results of our study. Finally, in **chapter 5**, a conclusion about the entire work as well as an outlook is discussed.